

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 IO-14 AID-20 COME-00 EB-11 FRB-03

TRSE-00 XMB-07 OPIC-12 CIEP-03 LAB-06 SIL-01 OMB-01

AGR-20 DRC-01 /214 W

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R 311050Z JUL 74

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 0204

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY CANBERRA

AMEMBASSY TOKYO

AMEMBASSY BANGKOK

AMEMBASSY PHNOM PENH

AMEMBASSY SAIGON

CINCPAC

C O N F I D E N T I A L VIENTIANE 5973

E.O. 11652: GDS

TAGS: ECON, LA

SUBJECT: LAO ECONOMIC REFORMS/ECONOMIC SITUATION REPORT

1. ECONOMIC SITUATION JULY 31 BASICALLY UNCHANGED FROM PAST FEW DAYS. BANKS OPENED FOR ONLY KIP TRANSACTIONS, AND CURB MARKET REMAINED INACTIVE. THE USAID COST OF LIVING DECLINED SLIGHTLY, BUT STILL HIGH COMPARED TO JULY 17. NO MEAT AVAILABLE FOR SALE IN MORNING MARKET.

2. USAID COST OF LIVING INDEX JULY 31:

PERCENT CHANGE SINCE

JULY 29 JULY 17 END 1973

GENERAL INDEX -0.5 11.7 49.5

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RICE INDEX 0.0 32.3 83.2

NON RICE INDEX -0.7 6.4 41.0

3. ARTICLE IN XAT LAO JULY 31 DEALT WITH THE LAO IRON ROOF-
ING COMPANY (SENG FAH) HAVING SHUT DOWN ITS PRODUCTION LINE
DUE TO SMALL MARKET AND LARGE INVENTORIES. FOREIGN CAPITAL
(JAPANESE) IS INVESTED IN THIS FACTORY, AND THE COMPANY'S LAO
PRESIDENT WARNED THAT FUTURE FOREIGN INVESTMENT IN LAOS WILL
BE HARMED BY GOVERNMENT POLICIES, BLAMING COMPANY'S PROBLEM
ON FAILURE OF GOVERNMENT TO STOP SMUGGLING OF FOREIGN ROOFING
WHICH IS UNDERSELLING AND CUTTING INTO MARKET.

4. ANOTHER XAT LAO ARTICLE REPORTED A RAID JULY 29 LED BY DR.
PHAY SIRISOMBATH, DIRECTOR OF COMMERCE, WITH MIXED ECONOMIC
POLICE, MINISTRY OF JUSTICE PERSONNEL, SUDENT VOLUNTEERS AND
A DELEGATION FROM NATIONAL STUDENT FEDERATION ON THE VIENTINAE
RESIDENCE OF INDIVIDUAL WHO PERHAPS FOREMOST RICE RUNNER ON
THE MEKONG RIVER. THE RAIDERS FOUND 39 MT RICE, QUANTITIES
OF MILK, WHEAT FLOUR, AND TRUCK TIRES, IN ADDITION TO LIMITED
NUMBERS OF WEAPONS AND AMMUNITION. NO EXPLANATION GIVEN FOR
RAID, BUT IT IS PROBABLY A SIGN OF CHANGING TIMES IN LAOS
GIVEN THE COMPOSITION OF RAIDERS AND THE OBJECT OF THE RAID,
A MAN PREVIOUSLY PROTECTED FROM POLICE ACTION.

5. AT STABILIZATION CONSULTATIVE COMMITTEE MEETING JULY 31,
ACTING CHAIRMAN MINFIN SECSTATE BOUSBONG REVIEWED IN GENERAL
TERMS CABINET DECISIONS OF JULY 25. BOUSBONG STATED THAT
MEASURES WERE PROVISIONAL AND POLITICALLY MOTIVATED BECAUSE
PGNU NEWLY FORMED AND PRIME MINISTER ILL. DIRGENFIN SOUVAN-
THONG, IN DISCUSSING REFORM MEASURES, INDICATED COMMODITIES
ALLOWED AT 605 RATE INCLUDED ONLY FERTILIZER, SEEDS, PESTI-
CIDES, MILK AND SUGAR. RICE AND LIVE ANIMALS WOULD RECEIVE
PRIORITY AT THE 845 RATE AND DISTRIBUTION WOULD BE CONTROLLED.
LIST OF COMMODITIES AT 845 RATE (COMPLETE LIST NOT YET AVAIL-
ALBE) COULD LATER BE REVISED DEPENDING ON ITEMS DEMANDED.
CREDIT MEASURES ARE NOW BEING STUDIED BY BNL. DIRGEN SOUVAN-
THONGR AGAIN REVISING DATE ALREADY REPORTED, INDICATED DOCU-
MENTS IMPLEMENTING REFORM MEASURES WILL BE AVAILABLE AUGUST 2.

6. MINFIN HAS REQUESTED BNL DEPOSIT \$3 MILLION SUPPLEMENTAL
LAO CONTRIBUTION TO FEOF BY 15 AUGUST. REMAINING \$500 THOUSAND
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OF INTIAL LAO PLEDGE TO FEOF WAS DEPOSITED JULY 31.

7. WITH THE ECONOMIC SITUATION AT THIS TIME MORE OR LESS
STABILIZED AND STATIC, WE SHALL DISCONTINUE OUR DAILY SITREPS
AND COMMENCE AGAIN OUR WEEKLY ECONOMIC SITUATION REPORT.
WHITEHOUSE

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NNN

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